



UNITED STATES DEPARTMENT OF COMMERCE  
Bureau of Export Administration  
Washington, D C 20230

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

TAL Industries, Inc.  
9645 Telstar Avenue  
El Monte, CA 91731

Attention: Zhao Runqiu  
President

Dear Mr. Zhao:

The Bureau of Export Administration, United States Department of Commerce (hereinafter "BXA"), hereby charges that TAL Industries, Inc. (hereinafter "TAL") has violated the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2000)) (hereinafter the "Regulations"), issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (1994 & Supp. IV 1998)) (hereinafter the "Act").

Facts constituting the violations:

**Charge 1**

Beginning in 1992 and continuing into 1995, TAL conspired and acted in concert with others to violate the Act and former Regulations. The goal of the conspiracy was to obtain Department of Commerce export licenses authorizing the export of machine tools from the United States to the CATIC Machining Company, Ltd. in Beijing, China for use in the machining of parts and components of civil aircraft that were planned for a joint project with the McDonnell Douglas Corporation (hereinafter the "Trunkliner program") and then to divert the machine tools to unauthorized end-users in China, including the Nanchang Aircraft Manufacturing Company. To accomplish the goal of the conspiracy, the conspirators, including TAL, took actions in furtherance of the conspiracy, primarily by making or causing to be made false and misleading representations of material facts, directly and indirectly, to BXA and other U.S. Government agencies. The false and misleading statements, included but were not limited to, stating that the end-user of the machine tools would be the CATIC Machining Company, Ltd. in Beijing, China and the end-use for the machine tools was for the Trunkliner program. However, the CATIC Machining Company,

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<sup>1</sup> The alleged violations occurred in 1994 and 1995. The Regulations governing those violations are found in the 1994 and 1995 versions of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1994 - 1995)) (hereinafter the "former Regulations"). The former Regulations define the violations that BXA alleges occurred. Since that time, the Regulations have been reorganized and restructured; the Regulations establish the procedures that apply to the matters set forth herein.

<sup>2</sup> The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), which had been extended by successive Presidential Notices, the most recent being that of August 3, 2000 (65 Fed. Reg. 48347, August 8, 2000), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (1994 & Supp. IV 1998)) until November 13, 2000, when the Act was reauthorized. See Pub. L. No. 106-508.



Ltd. in Beijing, China was neither the end-user nor the ultimate consignee of the machine tools, and the machine tools were not for use in the Trunkliner program.

BXA alleges that by conspiring and acting in concert with one or more persons in any manner or for any purpose to bring about or to do any act that constitutes a violation of the Act, or any regulation, order, or license issued thereunder, TAL violated Section 787.3 of the former Regulations.

#### Charges 2-1 1

As further described in Schedule A, which is enclosed herewith and incorporated herein by reference, TAL, in connection with 10 separate export license applications, made or caused to be made false and misleading representations of material facts to BXA and other U.S. Government agencies. More specifically, on or about May 26, 1994, 10 license applications were submitted to BXA by Douglas Aircraft (the McDonnell Douglas Corporation) for the export of machine tools from the United States to China. For each of these 10 license applications, TAL gave assurances and represented on export control documents as defined in Section 770.2 of the former Regulations, namely end-user and ultimate consignee statements, that CATIC Machining Company, Ltd. in Beijing, China would be the end-user of the machine tools and the end-use was for machining the parts and components of civil aircraft in the Trunkliner program. However, the CATIC Machining Company, Ltd. in Beijing, China was neither the end-user nor the ultimate consignee, and the machine tools were not for use in the Trunkliner program.

BXA alleges that by making or causing to be made false or misleading statements of material fact directly or indirectly to a United States government agency in connection with the preparation, submission, issuance or use of an export control document, TAL committed 10 violations of Section 787.5(a)(1) of the former Regulations.

#### Charges 12-2 1

On or about September 14, 1994, BXA issued ten export licenses to the McDonnell Douglas Corporation that authorized the export of machine tools to China for use in the Trunkliner program. The export licenses named China National Aero-Technology International Supply Company as the purchaser, China Aviation Supply and Marketing Corporation, North China Branch, as the intermediate consignee, and CATIC Machining Company, Ltd. as the ultimate consignee.

The licenses further contained a number of conditions, including:

“3. The machine tools approved under the licenses included in this [Trunkliner] program will be installed at the CATIC Machining Company Ltd. . . . Should the CATIC facility not be ready when the equipment arrives, the equipment will be stored [at China Aviation Supply and Marketing Corporation, North China Branch].”

“7. This equipment is licensed exclusively for the civil use of implementing the MD80/90 series McDonnell Douglas design for the development of the Chinese Trunkline and offset

from McDonnell Douglas Corporation.”

As further described in Schedule A, which is attached hereto and incorporated herein by reference, between on or about November 12, 1994 and on or about February 18, 1995, the machine tools were exported from the United States and then, in contravention of the terms and conditions of the licenses, the machine tools were diverted to unauthorized destinations in China, including the Nanchang Aircraft Manufacturing Company.

BXA alleges that, by exporting, diverting or directing items to any person or destination in violation of or contrary to the terms, provisions or conditions of any export control document, any prior representation, or any provision of the Act, or any regulation, order, or license issued thereunder, TAL committed 10 violations of Section 787.6 of the former Regulations.

#### Charges 22-23

On or about June 7, 1994 and on or about June 23, 1994, TAL, through the McDonnell Douglas Corporation, falsely represented to BXA and other U.S. government agencies that the machine tools were to be exported to the CATIC Machining Company, Ltd. in Beijing, China, they were for use in the Trunkliner program, and the Trunkliner program was being carried out in accordance with the 1992 contract. However, the CATIC Machining Company, Ltd. in Beijing, China was neither the end-user nor the ultimate consignee, the machine tools were not for use in the Trunkliner program, and the Trunkliner program had been delayed and was not being carried out in accordance with the 1992 contract.

BXA alleges that by making or causing to be made false or misleading statements of material fact directly or indirectly to a United States government agency in connection with the preparation, submission, issuance or use of an export control document, TAL committed two violations of Section 787.5(a)(1) of the former Regulations.

#### Charge 24

On or about June 5, 1995, TAL, through the China National Aero-Technology Import and Export Corporation, submitted a letter to BXA falsely representing that the machine tools authorized for export to the CATIC Machining Center Ltd., in Beijing, China and diverted to the Nanchang Aircraft Manufacturing Company in Nanchang, China in violation of the terms and conditions of the export licenses would not be unpacked until TAL received authorization from the U.S. Department of Commerce. However, the stretch press had been unpacked and placed in a building in Nanchang, China.

BXA alleges that by making or causing to be made false or misleading statements of material fact directly or indirectly to a United States government agency in the course of an investigation or other action instituted under the Act, TAL violated Section 787.5(a)(1) of the former Regulations.

Based upon the foregoing, BXA alleges that TAL committed one violation of Section 787.3, 10 violations of Section 787.6, and 13 violations of Section 787.5(a)(1) of the former

Regulations, for a total of 24 violations of the former Regulations,

Accordingly, TAL is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$100,000 per violation for national security violations, or \$10,000 per violation for all other violations (see Section 764.3(a)(1) of the Regulations);

Denial of export privileges (see Section 764.3(a)(2) of the Regulations); and/or

Exclusion from practice before BXA (See Section 764.3(a)(3) of the Regulations).

Copies of relevant Parts of the Regulations are enclosed.

If TAL fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter as provided in Section 766.6 of the Regulations, that failure will be treated as a default under Section 766.7 of the Regulations.

TAL is further notified that it is entitled to an agency hearing on the record as provided by Section 13(c) of the Act and Section 766.6 of the Regulations, if a written demand for one is filed with its answer. TAL is also entitled to be represented by counsel and to seek a settlement of the charges.

Pursuant to an Interagency Agreement between BXA and the U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services, to the extent that such services are required under the Regulations, in connection with the matters set forth in this letter. Accordingly, TAL's answer should be filed with the U.S. Coast Guard ALJ Docketing Center, 40 South Gay Street, Baltimore, Maryland 21202-4022, in accordance with the instructions in Section 766.5(a) of the Regulations. In addition, a copy of the answer should be served on BXA at the address set forth in Section 766.5(b), adding "ATTENTION: Melissa B. Mannino, Esq." below the address. Ms. Mannino may be contacted by telephone at (202) 482-5304.

Sincerely,

Mark D. Menefee  
Director  
Office of Export Enforcement

Enclosures

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF EXPORT ADMINISTRATION  
WASHINGTON, D.C. 20230

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|----------------------------|---|
| In the Matter of:          | ) |
|                            | ) |
| TAL INDUSTRIES, Inc.       | ) |
| 901 Corporate Center Drive | ) |
| Suite 207                  | ) |
| Monterey Park, CA 91754    | ) |
|                            | ) |
| Respondent                 |   |

SETTLEMENT AGREEMENT

This Agreement is made by and between TAL Industries, Inc. (hereinafter “TAL”) and the Bureau of Export Administration, United States Department of Commerce, pursuant to Section 766.18(a) of the Export Administration Regulations (15 C.F.R. Parts 730-774 (2000)) (hereinafter the “Regulations”),<sup>1</sup> issued under the Export Administration Act of 1979, as amended (50 U.S.C. app. §§2401-2420 (1994 & Supp. IV 1998)) (hereinafter the “Act”).<sup>2</sup>

WHEREAS, the Bureau of Export Administration (hereinafter “BXA”) has notified TAL of its intention to initiate an administrative proceeding against it pursuant to the Act and the Regulations based upon allegations that TAL committed 24 violations of the former Regulations, *to*

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<sup>1</sup> The alleged violations occurred in 1994 and 1995. The Regulations governing those violations are found in the 1994 and 1995 versions of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1994 -1995)) (hereinafter the “former Regulations”). The former Regulations define the violations that BXA alleges occurred. Since that time, the Regulations have been reorganized and restructured; the Regulations establish the procedures that apply to the matters set forth herein.

<sup>2</sup> The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), which had been extended by successive Presidential Notices, the most recent being that of August 3, 2000 (65 *Fed. Reg.* 48347, August 8, 2000), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (1994 & Supp. IV 1998)) until November 13, 2000 when the Act was reauthorized. See Pub. L. No. 106-508, 114 Stat. 2360.

wit, 1 violation of Section 787.3(b), 13 violations of Section 787.5(a)(1), and 10 violations of Section 787.6 of the former Regulations, as follows:

1. *15 CFR 787.3(b): Conspiracy:* Beginning in 1992 and continuing into 1995, TAL committed 1 violation of Section 787.3 of the former Regulations by conspiring and acting in concert with others to violate the Act and former Regulations. The goal of the conspiracy was to obtain Department of Commerce export licenses authorizing the export of machine tools from the United States to the CATIC Machining Company, Ltd. in Beijing, China for use in the machining of parts and components of civil aircraft that were planned for a joint project with the McDonnell Douglas Corporation (hereinafter the “Trunkliner program”) and then to divert the machine tools to unauthorized end-users in China, including the Nanchang Aircraft Manufacturing Company. To accomplish the goal of the conspiracy, the conspirators, including TAL, took actions in furtherance of the conspiracy, primarily by making or causing to be made false and misleading representations of material fact, directly and indirectly, to BXA and other U.S. Government agencies. The false and misleading representations included misrepresentations about the end-user and end-use of the machine tools. The conspirators, including TAL, represented that the CATIC Machining Center, Ltd. in Beijing, China would be the end-user of the machine tools and the end-use of the machine tools was for the Trunkliner program. However, the CATIC Machining Company, Ltd. in Beijing, China was not the end-user nor the ultimate consignee of the machine tools, and the machine tools were not for use in the Trunkliner program.

2. *15 CFR 787.5(a)(1): Misrepresentation and Concealment:*

a. On or about May 26, 1994, TAL committed 10 violations of Section 787.5(a)(1) of the former Regulations by making or causing to be made false or misleading representations of

material fact to BXA and other U.S. Government agencies in connection with 10 separate export license applications submitted to BXA by Douglas Aircraft (the McDonnell Douglas Corporation) for the export of machine tools to China. For each of these 10 license applications, TAL falsely gave assurances and represented on end-user and ultimate consignee statements, export control documents as defined in Section 770.2 of the former Regulations, that the CATIC Machining Company, Ltd. in Beijing, China would be the end-user of the machine tools and the end-use of the machine tools was for machining the parts and components of civil aircraft in the Trunkliner program. However, the CATIC Machining Company, Ltd. in Beijing, China was neither the end-user nor the ultimate consignee, and the machine tools were not for use in the Trunkliner program.

b. On or about June 7, 1994 and on or about June 23, 1994, TAL, through the McDonnell Douglas Corporation, committed two violations of section 787.5(a)(1) of the former Regulations by falsely representing to BXA and other U.S. government agencies that the machine tools were to be exported to the CATIC Machining Company, Ltd. in Beijing, China, they were for use in the Trunkliner program, and the Trunkliner program was being carried out in accordance with the 1992 contract. However, the CATIC Machining Company, Ltd. in Beijing, China was neither the end-user nor the ultimate consignee, the machine tools were not for use in the Trunkliner program, and the Trunkliner program had been delayed and was not being carried out in accordance with the 1992 contract.

c. On or about June 5, 1995, TAL, through the China National Aero-Technology Import and Export Corporation, committed 1 violation of Section 787.5(a)(1) of the former Regulations, by submitting a letter to BXA falsely representing that the machine tools that were authorized for export to the CATIC Machining Company, Ltd. in Beijing, China and diverted to the

Nanchang Aircraft Manufacturing Company in Nanchang, China in violation of the terms and conditions of the licenses would not be unpacked until authorization was received from the U.S. Department of Commerce. However, the stretch press had been unpacked and placed in a building in Nanchang, China.

*3. 15 CFR 787.6: Export, Diversion, Reexport, and Transshipment:* Between on or about November 12, 1994 and on or about February 1<sup>st</sup>, 1995, TAL committed 10 violations of Section 787.6 of the former Regulations, by violating or causing the violation of the terms and conditions of 10 separate Department of Commerce export licenses. The 10 export licenses named China National Aero-Technology International Supply Company as the purchaser, China Aviation Supply and Marketing Corporation, North China Branch, as the intermediate consignee, CATIC Machining Company, Ltd. as the ultimate consignee, and the Trunkliner program as the end-use. TAL violated the terms and conditions of each of the 10 export licenses by diverting the machine tools to unauthorized end-users in China, including the Nanchang Aircraft Manufacturing Company.

WHEREAS, TAL has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

WHEREAS, TAL fully understands the terms of this Settlement Agreement and the appropriate Order; it enters into this Settlement Agreement voluntarily and with full knowledge of its rights, and it states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, TAL has designated the undersigned as duly authorized to enter into this Settlement Agreement and to bind TAL to the terms and conditions set forth herein;



WHEREAS, TAL neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, TAL wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Settlement Agreement; and

WHEREAS, TAL agrees to be bound by an appropriate Order giving effect to the terms of this Settlement Agreement, when entered;

NOW THEREFORE, TAL and BXA agree as follows:

1. BXA has jurisdiction over TAL under the Act and the Regulations in connection with the matters alleged in the proposed charging letter.

2. BXA and TAL agree that the following sanctions shall be imposed against TAL in complete settlement of the alleged violations of the Act and the former Regulations set forth in the proposed charging letter;

- a. TAL shall be assessed a civil penalty in the amount of \$1,320,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the appropriate Order;
- b. TAL shall be denied its U.S. export privileges for a period of 10 years from the date of entry of the appropriate Order, as described herein and in the appropriate Order (hereinafter the “denial period”). TAL and all of its successors, assigns, officers, representatives, agents, and employees, may not, for a period of ten years from the entry of the appropriate Order, participate, directly or indirectly, in any way in any transaction involving any commodity, software or technology (hereinafter “item”) exported or to be

exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

1. Applying for, obtaining, or using any license, License Exception or export control document;
2. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or
3. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

3. Further, upon BXA's request, TAL shall produce to the Department of Commerce any documents, in its custody, care or control, that were supplied to the United States in the case of U.S. v. CATIC, et al., No. 99-353 (PLF), and TAL hereby certifies that these documents are all the documents that are relevant to the sale, licensing or diversion of the machine tools from the McDonnell Douglas plant in Columbus, Ohio that were allegedly to be used in the Trunkliner program;

4. For the purposes of authenticating documents and as otherwise agreed to by the parties, TAL shall, at its own expense, make its appropriate employees, representatives, officers or agents available to the Department of Commerce to testify at any administrative proceeding initiated by

BXA in connection with the sale, licensing and diversion of the machine tools from the McDonnell Douglas plant in Columbus, Ohio that were allegedly to be used in the Trunkliner program.

5. TAL agrees that, subject to the approval of this Settlement Agreement pursuant to paragraph 10 hereof, it hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Settlement Agreement or the appropriate Order, when entered) including, without limitation, any right: (a) to an administrative hearing regarding the allegations in the proposed charging letter; and (b) to seek judicial review or otherwise to contest the validity of this Settlement Agreement or the appropriate Order, when entered.

6. BXA agrees that, upon entry of the appropriate Order, it will not initiate an administrative proceeding against TAL, or any of its past or present employees, in connection with any violation of the Act or the former Regulations arising out the transactions identified in the proposed charging letter.

7. TAL understands that BXA will make the proposed charging letter, this Settlement Agreement, and the appropriate Order, when entered, available to the public.

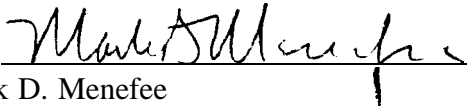
8. BXA and TAL agree that this Settlement Agreement is for settlement purposes only. Therefore, if this Settlement Agreement is not accepted and an appropriate Order is not issued by the Assistant Secretary for Export Enforcement, BXA and TAL agree that they may not use this Settlement Agreement in any administrative or judicial proceeding and that the parties shall not be bound by the terms contained in this Settlement Agreement in any subsequent administrative or judicial proceeding.

9. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this Settlement

Agreement or the appropriate Order, when entered, nor shall this Settlement Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

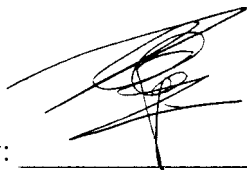
10. This Settlement Agreement shall become binding on BXA only when the Assistant Secretary for Export Enforcement approves it by entering an appropriate Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

BUREAU OF EXPORT ADMINISTRATION  
U.S. DEPARTMENT OF COMMERCE

By:   
Mark D. Menefee  
Director  
Office of Export Enforcement

Date: 5/11/01

TAL INDUSTRIES, INC.

  
By: \_\_\_\_\_  
Zhao Runqiu  
President

Date: 5/11/01

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF EXPORT ADMINISTRATION  
WASHINGTON, D.C. 20230

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In the Matter of )  
 )  
TAL INDUSTRIES, Inc. )  
90 I Corporate Center Drive )  
Suite 207 )  
Monterey Park, CA 9 1754 )  
 )  
\_\_\_\_\_  
Respondent

ORDER

The Bureau of Export Administration, United States Department of Commerce (hereinafter “BXA”), having notified TAL Industries, Inc. (hereinafter “TAL”) of its intention to initiate an administrative proceeding against it pursuant to Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (1994 & Supp. IV 1998)) (hereinafter the “Act”),<sup>1</sup> and the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2000)) (the “Regulations”),<sup>2</sup> based on allegations that TAL committed 24 violations of the former Regulations, *to wit*, 1 violation of Section 787.3(b), 13 violations of Section 787.5(a)(1), and 10 violations of Section 787.6 of the former Regulations, as follows:

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<sup>1</sup> The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 9 17 (1995)), which had been extended by successive Presidential Notices, the most recent being that of August 3, 2000 (65 *Fed. Reg.* 48347, August 8, 2000), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (1994 & Supp. IV 1998)) until November 13, 2000 when the Act was reauthorized. See Pub. L. No. 106-508, 114 Stat. 2360.

<sup>2</sup> The alleged violations occurred in 1994 and 1995. The Regulations governing those violations are found in the 1994 and 1995 versions of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1994 -1995)) (hereinafter the “former Regulations”). The former Regulations define the violations that BXA alleges occurred. Since that time, the Regulations have been reorganized and restructured; the Regulations establish the procedures that apply to the matters set forth herein.

*1. 15 CFR 787.3(b): Conspiracy:* Beginning in 1992 and continuing into 1995, TAL committed 1 violation of Section 787.3 of the former Regulations by conspiring and acting in concert with others to violate the Act and former Regulations. The goal of the conspiracy was to obtain Department of Commerce export licenses authorizing the export of machine tools from the United States to the CATIC Machining Company, Ltd. in Beijing, China for use in the machining of parts and components of civil aircraft that were planned for a joint project with the McDonnell Douglas Corporation (hereinafter the “Trunkliner program”) and then to divert the machine tools to unauthorized end-users in China, including the Nanchang Aircraft Manufacturing Company. To accomplish the goal of the conspiracy, the conspirators, including TAL, took actions in furtherance of the conspiracy, primarily by making or causing to be made false and misleading representations of material fact, directly and indirectly, to BXA and other U.S. Government agencies. The false and misleading representations included misrepresentations about the end-user and end-use of the machine tools. The conspirators, including TAL, represented that the CATIC Machining Center, Ltd. in Beijing, China would be the end-user of the machine tools and the end-use of the machine tools was for the Trunkliner program. However, the CATIC Machining Company, Ltd. in Beijing, China was not the end-user nor the ultimate consignee of the machine tools, and the machine tools were not for use in the Trunkliner program.

*2. 15 CFR 787.5(a)(1): Misrepresentation and Concealment:*

a. On or about May 26, 1994, TAL committed 10 violations of Section 787.5(a)(1) of the former Regulations by making or causing to be made false or misleading

representations of material fact to BXA and other U.S. Government agencies in connection with 10 separate export license applications submitted to BXA by Douglas Aircraft (the McDonnell Douglas Corporation) for the export of machine tools to China. For each of these 10 license applications, TAL falsely gave assurances and represented on end-user and ultimate consignee statements, export control documents as defined in Section 770.2 of the former Regulations, that the CATIC Machining Company, Ltd. in Beijing, China would be the end-user of the machine tools and the end-use of the machine tools was for machining the parts and components of civil aircraft in the Trunkliner program. However, the CATIC Machining Company, Ltd. in Beijing, China was neither the end-user nor the ultimate consignee, and the machine tools were not for use in the Trunkliner program.

b. On or about June 7, 1994 and on or about June 23, 1994, TAL, through the McDonnell Douglas Corporation, committed two violations of section 787.5(a)(1) of the former Regulations by falsely representing to BXA and other U.S. government agencies that the machine tools were to be exported to the CATIC Machining Company, Ltd. in Beijing, China, they were for use in the Trunkliner program, and the Trunkliner program was being carried out in accordance with the 1992 contract. However, the CATIC Machining Company, Ltd. in Beijing, China was neither the end-user nor the ultimate consignee, the machine tools were not for use in the Trunkliner program, and the Trunkliner program had been delayed and was not being carried out in accordance with the 1992 contract.

c. On or about June 5, 1995, TAL, through the China National Aero-Technology Import and Export Corporation, committed 1 violation of Section 787.5(a)(1) of the former

Regulations by submitting a letter to BXA falsely representing that the machine tools that were authorized for export to the CATIC Machining Company, Ltd. in Beijing, China and diverted to the Nanchang Aircraft Manufacturing Company in Nanchang, China in violation of the terms and conditions of the licenses would not be unpacked until authorization was received from the U.S. Department of Commerce. However, the stretch press had been unpacked and placed in a building in Nanchang, China.

3. *15 CFR 787.6: Export, Diversion, Reexport, and Transshipment:* Between on or about November 12, 1994 and on or about February 18, 1995, TAL committed 10 violations of Section 787.6 of the former Regulations by violating or causing the violation of the terms and conditions of 10 separate Department of Commerce export licenses. The 10 export licenses named China National Aero-Technology International Supply Company as the purchaser, China Aviation Supply and Marketing Corporation, North China Branch, as the intermediate consignee, CATIC Machining Company, Ltd. as the ultimate consignee, ‘and the Trunkliner program as the end-use. TAL violated the terms and conditions of each of the 10 export licenses by diverting the machine tools to unauthorized end-users in China, including the Nanchang Aircraft Manufacturing Company.

BXA and TAL having entered into a Settlement Agreement pursuant to Section 766.1 S(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:



FIRST, that a civil penalty of \$1,320,000 is assessed against TAL, which shall be paid to the U.S. Department of Commerce within thirty days from the date of entry of this Order.

Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (1983 and Supp. 2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, TAL will be assessed, in addition to interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that for a period of ten years from the date of this Order, TAL Industries, Inc., 901 Corporate Center Drive, Suite 207, Monterey Park California 91754, shall be denied its U.S. export privileges as described herein (hereinafter the “denial period”). TAL and all of its successors, assigns, officers, representatives, agents, and employees, may not participate, directly or indirectly, in any way in any transaction involving any commodity, software, or technology (hereinafter collectively referred to as “item”) exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- A. Applying for, obtaining, or using any license, License Exception, or export control document;
- B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to

be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or

- C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

FOURTH, that no person may, directly or indirectly, do any of the following:

- A. Export or reexport to or on behalf of TAL or its successors, assigns, officers, representatives, agents, or employees (hereinafter the “denied person”) any item subject to the Regulations;
- B. Take any action that facilitates the acquisition or attempted acquisition by the denied person of the ownership, possession, or control of any item subject to the Regulations that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby the denied person acquires or attempts to acquire such ownership, possession or control;
- C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from the denied person of any item subject to the Regulations that has been exported from the United States;
- D. Obtain from the denied person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or

- E. Engage in any transaction to service any item subject to the Regulations that has been or will be exported from the United States and that is owned, possessed or controlled by the denied person, or service any item, of whatever origin, that is owned, possessed or controlled by the denied person if such service involves the use of any item subject to the Regulations that has been or will be exported from the United States. For purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

FIFTH, that, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to the denied person by affiliation, ownership, control, or position of responsibility in the conduct of trade or related services may also be made subject to the provisions of this Order.

SIXTH, that this Order does not prohibit any export, reexport, or other transaction subject to the Regulations where the only items involved that are subject to the Regulations are the foreign-produced direct product of U.S.-origin technology.

SEVENTH, that TAL shall produce to the Department of Commerce any documents, in its custody, care or control, that were supplied to the United States in the case of U.S. v. CATIC, et al., No. 99-353 (PLF), and TAL hereby certifies that these documents are all the documents that are relevant to the sale, licensing or diversion of the machine tools from the McDonnell Douglas plant in Columbus, Ohio that were allegedly to be used in the Trunkliner program;

EIGHTH, that for the purposes of authenticating documents and as otherwise agreed to by the parties, TAL shall, at its own expense, make its appropriate employees, representatives,

officers or agents available to the Department of Commerce to testify at any administrative proceeding initiated by BXA in connection with the sale, licensing and diversion of the machine tools from the McDonnell Douglas plant in Columbus, Ohio that were allegedly to be used in the Trunkliner program.

NINTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in these matters, is effective immediately.

  
Dexter M. Price  
Acting Assistant Secretary  
for Export Enforcement

Entered this 11<sup>th</sup> day of May, 2001.